

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

ENVIRON PRODUCTS, INC.,  
Plaintiff,

v.

TOTAL CONTAINMENT, INC.,  
Defendant.

Civil Action  
No. 95-4467

Gawthrop, J.

June , 1997

**M E M O R A N D U M**

Before the court is Defendant Total Containment, Inc's Motion for Partial Summary Judgment, pursuant to Fed. R. Civ. P. 56, that U.S. Patent No. 5,366,318 is unenforceable as a matter of law. Defendant maintains that Plaintiff Environ Product, Inc.'s failure to disclose material information during the prosecution of this patent renders it unenforceable. Plaintiff counters that Patent and Trademark Office found that the information was immaterial when it was submitted during the prosecution of related applications. In addition, Plaintiff argues that there are factual disputes regarding its knowledge of this information and its materiality, and of its intent to deceive the Patent and Trademark Office. Because I find that there are genuine issues of material fact concerning Plaintiff's alleged inequitable conduct, I shall deny summary judgment.

**I. Background**

Plaintiff Environ Products, Inc. and Defendant Total Containment, Inc. ("TCI") are competing manufacturers of secondary containment systems for underground piping systems. Both hold patents relating to secondary containment systems, and both have appeared before me in previous patent litigation.

Specifically, in Civil Action No. 91-7911, TCI alleged that Environ and its President, Michael Webb, infringed U.S. Patent Nos. 5,040,408 ("the '408 patent") and 5,060,509 ("the '509 patent"). Eugene E. Renz, Jr., an attorney, served as an expert witness for Environ in that case.

The current action began on July 19, 1995, when Environ filed a complaint alleging that TCI had infringed several patents, including U.S. Patent No. 5,366,318 ("the '318 patent"). This patent, assigned to Environ by its inventor, Rodney Brancher, issued on November 22, 1994 from U.S. Patent Application No. 08/108,537 ("the '537 application"), filed on August 19, 1993. Prior art references on this patent include U.S. Patent No. 2,671,573 ("the Hendon patent"). Mr. Renz was the principal patent attorney prosecuting the '537 application before the Patent and Trademark Office ("PTO").

Environ now has two pending patent applications which are related to the '318 patent: U.S. Patent Application Nos. 08/464,264 ("the '264 application") and 08/580,304 ("the '304 application"). Both the '264 application, filed on June 5, 1995, and the '304 application, filed on Jan. 19, 1996, were continuations of U.S. Patent Application No. 08/137,638, which in

turn was a continuation of U.S. Patent Application No. 07/718,436, which itself was a continuation-in-part of the later abandoned U.S. Patent Application No. 07/555,210 ("the '210 application"). They thus share a common parentage with the '537 application: the '537 application was a divisional application of U.S. Patent Application No. 07/718,436. Although the '537, '264, and '304 applications are derived from a common source, they claim different inventions. The '318 patent makes tank sump claims for the Environ II and Brancher seam, while the '264 and '304 applications claim a flexible entry seal arrangement.

During the course of Civil Action No. 91-7911, Environ and its attorneys made several statements which TCI now contends should have been disclosed to the PTO in connection with the '573 application for the '318 patent. Specifically, in a declaration by Michael C. Webb dated December 22, 1992 ("Webb IV"), Mr. Webb stated:

10. When my patent counsel uncovered the Hendon '573 patent in a search I realized that it shows the invention of the Brancher "seam". I accordingly directed my patent counsel to abandon the successor to the Brancher patent application and such abandonment has occurred.

11. The Hendon '573 patent shows the Brancher "seam" and otherwise demonstrates that the sumps, Environ I and II are part of the prior art. Stated another way Environ I and II are the practice of the prior art.

Environ made a similar assertion in its Reply Memorandum in Support of Their Motion for Summary Judgment in Civil Action No. 91-7911 ("Reply Memo"): "Defendants believed that the invention claimed in . . . [the '210 application] was not patentable in

view of the Hendon patent." This statement refers in part to Claim 3 of the '210 application, which recites the same invention as Claim 22 of the '537 application. In a declaration dated August 21, 1992 ("Webb III"), Mr. Webb made various statements regarding the scope and content of the prior art, and what would be obvious in light of the prior art. Mr. Renz also discussed what the prior art taught and what was obvious in view of that art in his declaration dated December 4, 1992 ("Renz Declaration").

Environ disclosed the above information to the patent examiner who was reviewing the '264 and '304 applications. The examiner found the information was not material to those applications. However, because Environ did not disclose this information during the prosecution of the '537 application for the '318 patent, TCI maintains that the '318 patent is unenforceable. TCI thus moves for partial summary judgment.

## **II. Standard of Review**

Summary judgment is proper "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). Unless evidence in the record would permit a jury to return a verdict for the non-moving party, there are no issues for trial, and summary judgment becomes appropriate. Anderson v.

Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). In considering a motion for summary judgment, a court does not resolve factual disputes or make credibility determinations, and must view facts and inferences in the light most favorable to the party opposing the motion. Siegel Transfer, Inc. v. Carrier Express, Inc., 54 F.3d 1125, 1127 (3d Cir. 1995). The party opposing the summary judgment motion must come forward with sufficient facts to show that there is a genuine issue of material fact. Celotex Corp. v. Catrett, 477 U.S. 317 (1986).

Although the Federal Circuit has urged caution in granting summary judgment to settle the issue of inequitable conduct, it has not foreclosed its use. Paragon Podiatry Lab., Inc. v. KLM Lab., Inc., 984 F.2d 1182, 1190 (Fed. Cir. 1993). So long as the criteria for summary judgment are satisfied, "summary judgment is as appropriate in a patent case as in any other . . . ." Spectra Corp. v. Lutz, 839 F.2d 1579, 1581-82 n.6 (Fed. Cir. 1988). See also Paragon Podiatry, 984 F.2d at 1190. However, the Federal Circuit also has stated that summary judgment on inequitable conduct, by denying the person accused an opportunity to be heard on the issue, is a "draconian result." KangaROOS U.S.A., Inc. v. Caldor, Inc., 778 F.2d 1571, 1573-74 (Fed. Cir. 1985). Intent to deceive, which is an element of inequitable conduct, is a factual issue that is not readily determined by summary judgment. Id. at 1576.

### **III. Discussion**

An applicant for a patent has an "uncompromising duty" to prosecute patent applications before the PTO with candor and good faith. Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U.S. 806, 818 (1945). This duty extends to the applicant's representatives, such as their attorneys. See Molins PLC v. Textron, Inc., 48 F.3d 1172, 1178 (Fed. Cir. 1995); FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1415 n.8 (Fed. Cir. 1987). A breach of this duty constitutes inequitable conduct. Molins PLC, 48 F.3d at 1178.

Inequitable conduct "includes an affirmative misrepresentation of a material fact, failure to disclose material information, or submission of false material information, coupled with an intent to deceive." Total Containment, Inc. v. Environ Products, Inc., 921 F. Supp. 1355, 1369 (E.D. Pa. 1995), aff'd in part, vacated in part, 106 F.3d 427 (Fed. Cir. 1997). See also J.P. Stevens & Co. v. Lex Tex. Ltd., 747 F.2d 1553, 1559 (Fed. Cir. 1984), cert. denied, 474 U.S. 822 (1985). Specifically, a finding of inequitable conduct for non-disclosure requires a showing of (1) material information, (2) knowledge by the applicant or the attorney of that information and of its materiality, and (3) an intent by the applicant or the attorney to mislead the PTO. FMC Corp., 835 F.2d at 1415. If the court finds that inequitable conduct occurred during the prosecution of a patent application, then all claims of the resulting patent are unenforceable. J.P. Stevens, 747 F.2d at 1561.

**A. Materiality**

1. The Standard

The former standard of materiality for patent applications was whether "there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent." Molins PLC, 48 F.3d at 1179 & n.8 (citing the then current PTO regulation). In 1992, the PTO amended the regulation governing materiality to provide:

information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

(i) Opposing an argument of unpatentability relied on by the Office, or

(ii) Asserting an argument of patentability.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

37 C.F.R. § 1.56(b) ("PTO Rule 56(b)"). The amended rule has not yet been fully clarified. See Molins PLC, 48 F.3d at 1179 n.8; Donald S. Chisum, Patents § 11.03[4][b][v] (1996).

The PTO suggests that, under the new standard, an applicant must disclose the existence of litigation, and any material information arising from that litigation, which is related to the subject matter of the patent application. See Manual of Patent Examining Procedure ("MPEP") § 2001.06(c) (6th ed. 1995, rev. July, 1996).<sup>1</sup> More generally, "any assertion that is made by a litigant . . . during litigation, which is contradictory to the assertions made . . . to the patent examiner, comprises material information . . ." Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co., 837 F. Supp. 1444,

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1. Section 2001.06(c) of the MPEP provides in relevant part:

Where the subject matter for which a patent is being sought is or has been involved in litigation, the existence of such litigation and any other material information arising therefrom must be brought to the attention of the Patent and Trademark Office; such as, for example, evidence of possible prior use or sales, questions of inventorship, prior art, allegations of 'fraud,' 'inequitable conduct,' or violation of duty of disclosure. Such information might arise during litigation in, for example, pleadings, admissions, discovery including interrogatories, depositions, and other documents, and testimony.

Although the MPEP is not law, "it is entitled to judicial notice as an official interpretation of statutes or regulations as long as it is not in conflict therewith." Molins PLC, 48 F.3d at 1180 n.10.

1477 (N.D. Ind. 1992), aff'd, 11 F.3d 1072 (Fed. Cir. 1993), cert. denied, 511 U.S. 1128 (1994).

In its Motion for Partial Summary Judgment, TCI contends that Environ concealed from the PTO the existence of prior litigation, Civil Action No. 91-7911, and of numerous contradictory admissions by Environ and its attorneys about the prior art and its materiality to the invention claimed by the '318 patent. TCI specifically argues that Webb IV, the Renz Declaration, Webb III, and Environ's Reply Memo are material information because they are inconsistent with Environ's position that the invention was patentable.

## 2. Webb IV

During the prosecution of the '537 application for the '318 patent, Environ and its attorneys expressly asserted the patentability of Environ II. However, in Webb IV, Mr. Webb asserts that Environ II is not patentable in light of the Hendon patent. Although Environ disclosed the Hendon patent itself, Environ does not claim to have ever told the PTO that, at one time, it considered Environ II unpatentable in light of the Hendon reference. Thus, Webb IV is not "cumulative to information already of record." See PTO Rule 56(b). Because Mr. Webb's declaration contradicts the assertion of patentability made during the prosecution of the '537 application, Webb IV is material information under PTO Rule 56(b).

Despite the inconsistency in its patentability arguments, Environ maintains that Webb IV is not material. Environ reasons that Webb IV cannot be material under PTO Rule 56(b) because the PTO has so ruled in two related, pending, applications: the '264 and '304 applications. While prosecuting these applications, Environ submitted to the PTO an Information Disclosure Statement ("IDS") describing Webb IV. After reviewing the submissions for content, the patent examiner struck Webb IV from the IDS because it was not "considered a printed publication accessible to the general public," and was not "to be printed on the face of patent [sic], should it issue." Environ then draws an analogy to this court's decision in prior litigation:

there is even stronger evidence available that the PTO will not consider the information that the defendants' claim was improperly withheld from the PTO. The information was submitted to the PTO, but the PTO rejected it with an unequivocal statement that "public use and on sale issues are not appropriate for reexamination."

Total Containment, Inc., 921 F. Supp. at 1374.

In the previous litigation, however, the alleged material information was submitted during the reexamination of the patents at issue. In this case, the patent examiner did not assess the materiality of the information to the invention claimed in the '318 patent, but rather to the related applications. Environ has admitted that the related applications do not claim the same invention as the '318 patent. Thus, the information could be immaterial to the pending applications,

while material to the '318 patent. Notably, the examiner did not say that Webb IV never could be material. In fact, the examiner might have struck the declaration because it did not comply with MPEP provisions regulating the IDS's form and time of filing. See MPEP § 609(C) (referring to MPEP §§ 609(A)-(B)). Finally, MPEP § 2001.06(c) states that related prior litigation and "any other material information arising therefrom must be brought to the attention" of the PTO. The PTO's official interpretation of its Rule 56(b), embodied in MPEP § 2001.06(c), controls over an individual examiner's interpretation. Thus, I find that Webb IV is material information.

### 3. Reply Memo

Environ's Reply Memo is also material information. In its Reply Memo, Environ admits that Claim 3 of the '210 application, which claims the same invention as Claim 22 of the '537 application for the '318 patent, is not patentable over the Hendon patent. This admission contradicts Environ's position before the PTO that Claim 22 of the '537 application was patentable. Because the Reply Memo is inconsistent with a position Environ took in asserting an argument of patentability, it is material information under PTO Rule 56(b).

### 4. Renz Declaration and Webb III

In Civil Action No. 7911, Mr. Renz submitted to this court a comprehensive declaration which makes numerous admissions

about what the prior art taught and what was obvious in view of the prior art. In particular, Mr. Renz describes the differences between the Hendon patent and the '318 patent. TCI contends that Renz characterizes the differences as obvious modifications over the prior art. Obviousness renders an invention unpatentable. See 35 U.S.C. § 103. However, to determine whether the Renz Declaration indeed characterizes the differences as obvious, I would need to assess scientific facts. Unless I evaluate the underlying scientific facts, I cannot determine whether Renz's Declaration is inconsistent with Environ's position that the invention claimed by the '318 patent is patentable, and thus whether it is material. Because the assessment of scientific facts is not amenable to summary resolution, see Scripps Clinic & Research Found. v. Genentech, Inc., 927 F.2d 1565, 1581 (Fed. Cir. 1991), I cannot now say that this information is material.

In Webb III, Mr. Webb admits that some of the differences between the Hendon patent and the '318 patent would be an obvious modification to one skilled in the art. As with the Renz Declaration, this information's materiality hinges on the assessment of scientific facts, and thus is not amenable to summary judgment.

#### **B. Knowledge of Materiality**

Having found that Webb IV and Environ's Reply Memo are material, the next question is whether Environ or its representatives knew, or should have known, that this information

was material. See FMC Corp., 835 F.2d at 1415. TCI alleges that both Mr. Webb and Mr. Renz were aware of the materiality of the undisclosed information.

1. Mr. Webb

Mr. Webb, while hardly a neophyte on patent matters, is a layperson who deserves to be held to a lesser standard than a patent attorney. Although Mr. Webb made contradictory statements regarding the patentability of Environ II and the Brancher seam, TCI has not established that Mr. Webb knew that such inconsistent positions, taken in different fora, could constitute material information. Nor has TCI demonstrated that Mr. Webb knew of Environ's Reply Memo and of its materiality. Rather, there is a genuine issue of material fact as to Mr. Webb's knowledge of the materiality of the undisclosed information.

2. Mr. Renz

In a deposition on January 18, 1996, Mr. Renz admitted that he now knows that Webb IV was inconsistent with the prosecution of the '537 application for the '318 patent. But this admission does not establish that Mr. Renz knew of Webb IV and its materiality during the prosecution of the '537 application, two years earlier.

TCI, however, steadfastly maintains that Mr. Renz was aware of Webb IV during the pendency of the '537 application. TCI points first to the deposition on January 30, 1996 of

Environ's former trial counsel, Mr. Bernstein. Although Mr. Bernstein states that he discussed Webb IV with Mr. Renz in connection with the '408 and '509 patents, it is not clear whether Mr. Bernstein discussed the connection of Webb IV to the Brancher patent applications that preceded the '537 application. TCI next argues that Mr. Renz's billing record, dated September 9, 1994, demonstrates that he made the connection between the reexamination of the '408 and '509 patents, which disclosed Webb IV, and the '537 application. This bill, however, simply shows that Mr. Renz conferred on the reexamination of '408 and '509 patents, and reviewed the '537 application, on the same date. It does not prove that Mr. Renz made the connection, or even that he should have made the connection, between Webb IV and the '537 application. Although Mr. Renz admits to having seen Webb IV briefly during the prior litigation, he asserts that he did not read the declaration thoroughly. In sum, there are factual disputes regarding Mr. Renz's knowledge, during the prosecution of the '537 application, of Webb IV's materiality. There also is insufficient evidence to establish Mr. Renz's knowledge of the Reply Memo's materiality.

### **C. Intent to Mislead PTO**

The final requirement for inequitable conduct is an intent to mislead the PTO. In a non-disclosure case, such as this one, "clear and convincing evidence must show that the applicant made a deliberate decision to withhold a known material

reference." Molins PLC, 48 F.3d at 1181. Intent may be proved either by direct evidence, or "by showing acts the natural consequences of which are presumably intended by the actor." J.P. Stevens, 747 F.2d at 1560. A "mere denial of intent" to deceive will not prevent a finding of intent. FMC Corp., 835 F.2d at 1416. Once threshold findings of materiality and intent are made, the court must balance these elements: "The more material the omission, the less culpable the intent required, and vice versa." Halliburton Co. v. Schlumberger Tech. Corp., 925 F.2d 1435, 1439 (Fed. Cir. 1991).

TCI argues that the evidence of record amply indicates Mr. Renz's intent to mislead. TCI emphasizes Mr. Renz's inequitable conduct during the reexamination of the '408 and '509 patents. See Total Containment, Inc., 921 F. Supp. at 1376-77. Although that conduct might damage Mr. Renz's credibility, the intent to deceive must be separately established for the '318 patent.

Next, TCI points to an admission by Mr. Renz, in a deposition on January 18, 1996, that he was aware of the duty to disclose outlined in MPEP § 2001.06(c) during the prosecution of the '537 application. TCI also highlights the billing record showing Mr. Renz reviewed the '408 and '509 patents, and the '537 application, on the same day. TCI wishes me to make an inferential leap from Mr. Renz's billing record and his deposition to a finding of intent to deceive. But such a leap would be improper at this summary judgment stage, where

inferences are to be drawn in favor of the party opposing the motion. See United States v. Diebold, Inc., 369 U.S. 654, 655 (1962).

#### **IV. Conclusion**

In sum, TCI has established that Environ failed to disclose two pieces of material information: a declaration by Mr. Webb (Webb IV) and Environ's Reply Memorandum in prior litigation. At this time, I cannot determine whether the two other undisclosed items are material. Further, there are genuine issues of material fact regarding Environ's knowledge of the information's materiality and its intent to mislead the PTO. Thus, I shall deny TCI's Motion for Partial Summary Judgment.

An order follows.

IN THE UNITED STATES DISTRICT COURT  
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O R D E R

AND NOW, this        day of June, 1997, upon the reasoning  
in the attached Memorandum, Defendant's Motion for Partial  
Summary Judgment that U.S. Patent No. 5,366,318 is unenforceable  
as a matter of law is DENIED.

BY THE COURT

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Robert S. Gawthrop, III,        J.